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LOCAL AUDIT & FINANCE DIV.

CHARTER TOWNSHIP OF TALLMADGE
Ottawa County, Michigan

FINANCIAL REPORT WITH
SUPPLEMENTARY INFORMATION

Year Ended March 31, 2005

AUDITING PROCEDURES REPORT

Issue under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Charter Township of Tallmadge	County Ottawa
Audit Date March 31, 2005	Opinion Date June 3, 2005	Date Accountant Report Submitted to State: August 29, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during they year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Campbell, Kusterer & Co., P.C.			
Street Address 512 N. Lincoln, Suite 100, P.O. Box 686	City Bay City	State MI	Zip 48707
Accountant Signature Campbell, Kusterer & Co., P.C.			

CHARTER TOWNSHIP OF TALLMADGE
Ottawa County, Michigan

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CAMPBELL, KUSTERER & CO., P.C.

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INDEPENDENT AUDITOR'S REPORT

June 3, 2005

To the Township Board
Charter Township of Tallmadge
Ottawa County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of Charter Township of Tallmadge, Ottawa County, Michigan as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Charter Township of Tallmadge's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Charter Township of Tallmadge, Ottawa County, Michigan as of March 31, 2005, and the respective changes in financial position thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as of April 1, 2004.

The Management's Discussion and Analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Township's basic financial statements. The other supporting information described in the accompanying table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants

CHARTER TOWNSHIP OF TALLMADGE
Ottawa County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2005

The Management's Discussion and Analysis report of the Charter Township of Tallmadge covers the Township's financial performance during the year ended March 31, 2005.

FINANCIAL HIGHLIGHTS

Our financial status remained stable over the last year. Net assets at March 31, 2005, totaled \$2,711,151.52 for governmental activities. Overall total capital assets remained approximately the same.

Overall revenues were \$1,520,004.44 from governmental activities. Governmental activities had a \$308,332.91 decrease in net assets.

Taxable value increased by approximately \$8,636,066.00 or 4%.

We did not incur any new debt.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of three parts, management's discussion and analysis, the basic financial statements and required supplementary information. The basic financial statements include two different kinds of statements that present different views of the Township and the notes to the financial statements.

The first two statements are entity-wide financial statements and provide both long and short-term information about our overall financial status. These statements present governmental activities.

The remaining statements are fund financial statements, which focus on individual parts of the Township in more detail.

The notes to the financial statements explain some of the information in the statements and provide more detailed data.

Required supplementary information further explains and supports the financial statement information with budgetary comparisons.

ENTITY-WIDE FINANCIAL STATEMENTS

The entity-wide statements report information about the Township as a whole using accounting methods used by private companies. The statement of net assets includes all of the Township's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The two entity-wide statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities and this is one method to measure the entity's financial health or position.

Over time increases/decreases in the entity's net assets are an indicator of whether financial position is improving or deteriorating.

To assess overall health of the entity you may also have to consider additional factors such as tax base changes, facility conditions and personnel changes.

All of the activities of the Township are reported as governmental activities. This includes the General Fund, the Special Revenue Funds, the Debt Service Funds, the Current Tax Collection Fund and the Agency Fund.

CHARTER TOWNSHIP OF TALLMADGE
Ottawa County, Michigan

MANAGEMENT'S DISCUSSION AND ANALYSIS
For the year ended March 31, 2005

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the Township's funds, focusing on significant (major) funds not the Township as a whole. Funds are used to account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township Board also may create them. Funds are established to account for funding and spending of specific financial resources and to show proper expenditures of those resources.

The Township has the following types of funds:

Governmental funds: All of the Township's activities are included in the governmental category. These funds are presented on the modified accrual basis, which is designed to show short-term financial information. You will note that the differences between the Township's entity-wide statements and the fund statements are disclosed in reconciling statements to explain the differences between them. The Township's governmental activities include the General Fund, the Special Revenue Funds and the Debt Service Funds.

FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE

During the year we paved a subdivision at a cost of \$27,330.00 through a special assessment. We purchased approximately \$26,575.38 in capital assets.

Our cash position in the governmental activities remain strong.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

The General Fund pays for most of the Township's governmental services. The most significant are highways and streets which incurred expenses of \$102,400.22. The Fire Fund incurred \$162,701.30 in operating expenses.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

The Township's governmental activities invested \$26,575.38 in capital assets.

The Township's governmental activities paid \$520,000.00 of principal on long-term debt.

KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The future of state revenue sharing is very clouded and it represents 55% of our income. We continue to grow at a 4% rate in taxable values with little demand for infrastructure, except good roads and water, where available.

CONTACTING THE TOWNSHIP'S MANAGEMENT

This financial report is designed to provide our taxpayers, creditors, investors and customers with a general overview of the Townships finances and to demonstrate the Township's accountability for the revenues it receives. If you have any questions concerning this report please contact the Township Clerk or Township Treasurer at 616-677-1248.

CHARTER TOWNSHIP OF TALLMADGE
Ottawa County, Michigan

GOVERNMENT-WIDE STATEMENT OF NET ASSETS
March 31, 2005

	<u>Governmental Activities</u>
ASSETS:	
CURRENT ASSETS:	
Cash in bank and investments	1 582 228 90
Taxes receivable	21 305 51
Special assessments receivable	1 181 143 47
Prepaid expenses	<u>237 802 00</u>
Total Current Assets	<u>3 022 479 88</u>
NON-CURRENT ASSETS:	
Capital Assets	8 674 613 93
Less: Accumulated Depreciation	<u>(3 537 807 16)</u>
Total Non-current Assets	<u>5 136 806 77</u>
TOTAL ASSETS	<u>8 159 286 65</u>
LIABILITIES AND NET ASSETS:	
LIABILITIES:	
CURRENT LIABILITIES:	
Deferred revenue	<u>1 163 135 13</u>
Total Current Liabilities	<u>1 163 135 13</u>
NON-CURRENT LIABILITIES:	
Bonds payable	<u>4 285 000 00</u>
Total Non-current Liabilities	<u>4 285 000 00</u>
Total Liabilities	<u>5 448 135 13</u>
NET ASSETS:	
Invested in Capital Assets, Net of Related Debt	851 806 77
Reserved for debt retirement	1 017 416 87
Unrestricted	<u>841 927 88</u>
Total Net Assets	<u>2 711 151 52</u>
TOTAL LIABILITIES AND NET ASSETS	<u>8 159 286 65</u>

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF TALLMADGE
Ottawa County, Michigan

GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
Year ended March 31, 2005

	<u>Expenses</u>	<u>Program Revenue</u>	<u>Governmental Activities Net (Expense) Revenue and Changes in Net Assets</u>
FUNCTIONS/PROGRAMS			
Governmental Activities:			
Legislative	76 069 89	-	(76 069 89)
General government	263 029 95	58 245 58	(204 784 37)
Public safety	309 994 52	165 304 00	(144 690 52)
Public works	901 768 49	525 357 24	(376 411 25)
Culture and recreation	27 089 97	-	(27 089 97)
Other	32 422 03	-	(32 422 03)
Interest on long-term debt	217 962 50	-	(217 962 50)
Total Governmental Activities	<u>1 828 337 35</u>	<u>748 906 82</u>	<u>(1 079 430 53)</u>
General Revenues:			
Property taxes			256 091 12
State revenue sharing			469 115 21
Interest			24 118 82
Miscellaneous			<u>21 772 47</u>
Total General Revenues			<u>771 097 62</u>
Change in net assets			(308 332 91)
Net assets, beginning of year			<u>3 019 484 43</u>
Net Assets, End of Year			<u>2 711 151 52</u>

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF TALLMADGE
Ottawa County, Michigan

BALANCE SHEET - GOVERNMENTAL FUNDS
March 31, 2005

<u>Assets</u>	<u>General</u>	<u>Fire Capital Improvement</u>	<u>1998 S.A. Debt Retirement</u>	<u>1999 S.A. Debt Retirement</u>
Cash in bank and investments	329 909 08	207 170 93	297 861 86	290 354 13
Taxes receivable	17 947 97	3 357 54	-	-
Special assessments receivable	89 001 45	-	369 328 13	270 629 06
Due from other funds	4 676 44	-	-	-
Prepaid expenses	-	237 802 00	-	-
Total Assets	<u>441 534 94</u>	<u>448 330 47</u>	<u>667 189 99</u>	<u>560 983 19</u>
<u>Liabilities and Fund Equity</u>				
Liabilities:				
Deferred revenue	89 001 45	-	360 790 11	268 007 78
Total liabilities	<u>89 001 45</u>	<u>-</u>	<u>360 790 11</u>	<u>268 007 78</u>
Fund equity:				
Fund balances:				
Reserved for debt retirement	-	-	306 399 88	292 975 41
Unreserved:				
Undesignated	352 533 49	448 330 47	-	-
Total fund equity	<u>352 533 49</u>	<u>448 330 47</u>	<u>306 399 88</u>	<u>292 975 41</u>
Total Liabilities and Fund Equity	<u>441 534 94</u>	<u>448 330 47</u>	<u>667 189 99</u>	<u>560 983 19</u>

The accompanying notes are an integral part of these financial statements.

<u>2001 S.A Debt Retirement</u>	<u>2001 Bond Construction</u>	<u>Other Funds</u>	<u>Total</u>
178 627 54	-	273 628 92	1 577 552 46
-	-	-	21 305 51
452 184 83	-	-	1 181 143 47
-	-	-	4 676 44
-	-	-	237 802 00
<u>630 812 37</u>	<u>-</u>	<u>273 628 92</u>	<u>3 022 479 88</u>
<u>445 335 79</u>	<u>-</u>	<u>-</u>	<u>1 163 135 13</u>
<u>445 335 79</u>	<u>-</u>	<u>-</u>	<u>1 163 135 13</u>
185 476 58	-	232 565 00	1 017 416 87
-	-	41 063 92	841 927 88
<u>185 476 58</u>	<u>-</u>	<u>273 628 92</u>	<u>1 859 344 75</u>
<u>630 812 37</u>	<u>-</u>	<u>273 628 92</u>	<u>3 022 479 88</u>

CHARTER TOWNSHIP OF TALLMADGE
Ottawa County, Michigan

RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
March 31, 2005

TOTAL FUND BALANCES – GOVERNMENTAL FUNDS	1 859 344 75
Amounts reported for governmental activities in the statement of net assets are different because –	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds balance sheet:	
Capital assets at cost	8 674 613 93
Accumulated depreciation	(3 537 807 16)
Long-term debt liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Bonds payable	<u>(4 285 000 00)</u>
TOTAL NET ASSETS – GOVERNMENTAL ACTIVITIES	<u><u>2 711 151 52</u></u>

The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF TALLMADGE
Ottawa County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
Year ended March 31, 2005

	<u>General</u>	<u>Fire Capital Improvement</u>	<u>1998 S.A. Debt Retirement</u>	<u>1999 S.A. Debt Retirement</u>
Revenues:				
Property taxes	204 563 94	51 527 18	-	-
Licenses and permits	86 648 40	-	-	-
State revenue sharing	469 115 21	-	-	-
Charges for services:				
Property tax administration	9 262 50	-	-	-
Fire protection	-	55 594 00	-	-
Other	9 969 68	-	-	-
Interest	6 474 28	2 424 23	4 728 71	4 557 91
Rent	4 075 00	-	-	-
Special assessments	29 867 89	-	70 666 37	58 949 30
Miscellaneous	13 214 02	2 681 92	-	-
Total revenues	<u>833 190 92</u>	<u>112 227 33</u>	<u>75 395 08</u>	<u>63 507 21</u>
Expenditures:				
Legislative:				
Township Board	76 069 89	-	-	-
General government:				
Supervisor	23 827 74	-	-	-
Elections	7 310 95	-	-	-
Assessor	22 089 99	-	-	-
Professional fees	99 674 16	-	-	-
Clerk	25 416 56	-	-	-
Board of Review	720 00	-	-	-
Treasurer	27 534 57	-	-	-
Building and grounds	42 758 31	-	-	-
Cemetery	4 129 04	-	-	-
Public safety:				
Fire protection	-	17 329 06	-	-
Police protection	25 615 71	-	-	-
Planning and zoning	27 860 92	-	-	-
Building inspection	37 389 21	-	-	-
Public works:				
Highways and streets	102 400 22	-	-	-
Street lights	11 142 86	-	-	-
Drains	5 687 30	-	-	-
Water	29 643 18	-	-	-
Johnson, 14 th , Ironwood construction	-	-	-	-
Hydrant rental	8 676 00	-	-	-
Culture and recreation:				
Parks and recreation	5 494 00	-	-	-
Other functions:				
Insurance	13 743 34	-	-	-
Payroll taxes	10 242 60	-	-	-
Pension	8 436 09	-	-	-
Capital outlay	-	3 450 00	-	-
Debt service	-	-	94 322 50	85 988 75
Total expenditures	<u>615 862 64</u>	<u>20 779 06</u>	<u>94 322 50</u>	<u>85 988 75</u>

The accompanying notes are an integral part of these financial statements.

<u>2001 S.A Debt Retirement</u>	<u>2001 Bond Construction</u>	<u>Other Funds</u>	<u>Total</u>
-	-	-	256 091 12
-	-	-	86 648 40
-	-	-	469 115 21
-	-	-	9 262 50
-	-	58 000 00	113 594 00
2 288 98	03	-	9 969 68
-	-	3 644 68	24 118 82
79 399 28	-	-	4 075 00
-	-	64 918 53	303 801 37
-	221 555 87	5 876 53	243 328 34
<u>81 688 26</u>	<u>221 555 90</u>	<u>132 439 74</u>	<u>1 520 004 44</u>
-	-	-	76 069 89
-	-	-	23 827 74
-	-	-	7 310 95
-	-	-	22 089 99
-	-	-	99 674 16
-	-	-	25 416 56
-	-	-	720 00
-	-	-	27 534 57
-	-	-	42 758 31
-	-	-	4 129 04
-	-	162 701 30	180 030 36
-	-	-	25 615 71
-	-	-	27 860 92
-	-	-	37 389 21
-	-	-	102 400 22
-	-	-	11 142 86
-	-	-	5 687 30
-	-	-	29 643 18
-	224 218 93	-	224 218 93
-	-	-	8 676 00
-	-	7 403 55	12 897 55
-	-	-	13 743 34
-	-	-	10 242 60
-	-	-	8 436 09
-	-	23 125 38	26 575 38
<u>84 672 50</u>	<u>-</u>	<u>472 978 75</u>	<u>737 962 50</u>
<u>84 672 50</u>	<u>224 218 93</u>	<u>666 208 98</u>	<u>1 792 053 36</u>

CHARTER TOWNSHIP OF TALLMADGE
Ottawa County, Michigan

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
Year ended March 31, 2005

	<u>General</u>	<u>Fire Capital Improvement</u>	<u>1998 S.A. Debt Retirement</u>	<u>1999 S.A. Debt Retirement</u>
Excess (deficiency) of revenues over expenditures	<u>217 328 28</u>	<u>91 448 27</u>	<u>(18 927 42)</u>	<u>(22 481 54)</u>
Other financing sources (uses):				
Operating transfers in	-	7 000 00	-	-
Operating transfers out	<u>(434 265 00)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(434 265 00)</u>	<u>7 000 00</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(216 936 72)	98 448 27	(18 927 42)	(22 481 54)
Fund balances, April 1	<u>569 470 21</u>	<u>349 882 20</u>	<u>325 327 30</u>	<u>315 456 95</u>
Fund Balances, March 31	<u><u>352 533 49</u></u>	<u><u>448 330 47</u></u>	<u><u>306 399 88</u></u>	<u><u>292 975 41</u></u>

The accompanying notes are an integral part of these financial statements.

<u>2001 S.A Debt Retirement</u>	<u>2001 Bond Construction</u>	<u>Other Funds</u>	<u>Total</u>
<u>(2 984 24)</u>	<u>(2 663 03)</u>	<u>(533 769 24)</u>	<u>(272 048 92)</u>
-	-	427 265 00	434 265 00
<u>-</u>	<u>-</u>	<u>-</u>	<u>(434 265 00)</u>
<u>-</u>	<u>-</u>	<u>427 265 00</u>	<u>-</u>
 (2 984 24)	 (2 663 03)	 (106 504 24)	 (272 048 92)
<u>188 460 82</u>	<u>2 663 03</u>	<u>380 133 16</u>	<u>2 131 393 67</u>
<u>185 476 58</u>	<u>-</u>	<u>273 628 92</u>	<u>1 859 344 75</u>

CHARTER TOWNSHIP OF TALLMADGE
Ottawa County, Michigan

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year ended March 31, 2005

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS (272 048 92)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation

Depreciation Expense	(582 859 37)
Capital Outlay	26 575 38

Repayment of debt principal is an expenditure in the governmental funds, the repayment does not have an effect in the statement of activities but does reduce the debt balance in the statement of net assets.

Principal payments on long-term debt	<u>520 000 00</u>
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CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>(308 332 91)</u></u>
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The accompanying notes are an integral part of these financial statements.

CHARTER TOWNSHIP OF TALLMADGE
Ottawa County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 1 – Summary of Significant Accounting Policies

The accounting policies of the Charter Township of Tallmadge, Ottawa County, Michigan, conform to generally accepted accounting principles as applicable to governmental units.

Reporting Entity

The financial statements of the Township contain all the Township funds that are controlled by or dependent on the Township's executive or legislative branches.

The reporting entity is the Charter Township of Tallmadge. The Township is governed by an elected Township Board. As required by generally accepted accounting principles, these financial statements present the Township as the primary government.

Government-Wide and Fund Financial Statements

The government-wide financial statements, (the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the Township's government-wide activities are considered governmental activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments and other items not properly included among program revenues are reported as general revenue.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, restricted resources are applied first.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

CHARTER TOWNSHIP OF TALLMADGE
Ottawa County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental Funds

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Special Revenue Funds

These funds are used to account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative action.

Debt Service Funds

These funds are used to record the funding and payment of principal and interest on long-term debt.

Capital Projects Fund

This fund is used to account for the acquisition or construction of major capital facilities other than those financed by proprietary fund operations and special assessments.

Fiduciary Funds

The Current Tax Collection Fund and Agency Fund are used to account for assets held as an agent for others.

Assets, Liabilities and Net Assets or Equity

Bank deposits and investments – Cash and cash equivalent investments include cash on hand, demand deposits, certificates of deposit and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

Property Taxes

Property taxes are accrued in the year in which they are levied. The tax levy is recorded as deferred revenue until the subsequent year when it becomes available for use.

CHARTER TOWNSHIP OF TALLMADGE
Ottawa County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Property Taxes (continued)

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2004 tax roll millage rate was 1.2050 mills, and the taxable value was \$217,091,230.00.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts and other commitments for future expenditures are not recorded.

Capital Assets

Capital assets are defined by the Township as assets with an initial cost of more than \$500.00 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings, additions and improvements	10-40 years
Furniture, vehicles and equipment	4-25 years

Compensated Absences (Vacation and Sick Leave)

Employees are not allowed to accumulate vacation and sick pay.

Post-employment Benefits

The Township provides no post-employment benefits to past employees.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Accounting Change

Effective April 1, 2004, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34). Changes to the Township's financial statements as a result of GASB No. 34 are as follows:

A Management's Discussion and Analysis (MD&A) section providing analysis of the Township's overall financial position and results of operations has been included.

CHARTER TOWNSHIP OF TALLMADGE
Ottawa County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 1 – Summary of Significant Accounting Policies (continued)

Accounting Change (continued)

Government-wide financial statements (Statement of Net Assets and Statement of Activities) prepared using the full accrual accounting for all the Township's activities have been provided.

Capital assets in the governmental activities column of the Statement of Net Assets include net assets totaling \$5,136,806.77.

Note 2 – Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted at the activity level by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Note 3 – Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligation repurchase agreements; banker's acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

CHARTER TOWNSHIP OF TALLMADGE
Ottawa County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 3 – Deposits and Investments (continued)

The Township Board has designated three banks for the deposit of Township funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments authorized by state law as listed above.

The Township's deposits and investments are in accordance with statutory authority.

The Governmental Accounting Standards Board Statement No. 3, risk disclosures for the cash deposits are as follows:

	<u>Carrying Amounts</u>
Total Deposits	<u>1 264 962 06</u>

Amounts in the bank balances are without considering deposits in transit or uncleared checks.

	<u>Bank Balances</u>
Insured (FDIC)	300 000 00
Uninsured and Uncollateralized	<u>993 065 49</u>
Total Deposits	<u>1 293 065 49</u>

The Township's investments are categorized below to give an indication of the level of risk assumed by the Township. Risk category 1 includes those investments that meet any one of the following criteria: insured, registered, or held by the Township or its agent. Risk categories 2 and 3 include investments that are neither insured nor registered. Category 2 includes investments that are held by the counterparty's trust department (or agent) in the Township's name. Category 3 includes investments held by the counterparty or the counterparty's trust department (or agent) but not in the Township's name.

The GASB Statement No. 3 risk disclosures for the Township's investments are categorized as follows:

<u>Investment Type</u>	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>Carrying Amount</u>
Risk-Categorized: Operating Funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Risk-Categorized Investments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Nonrisk-Categorized: Financial Institution Pooled Funds				<u>317 266 84</u>
Total Investments				<u>317 266 84</u>

The financial institution pooled funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes that the investments in the funds comply with the investment authority noted above.

CHARTER TOWNSHIP OF TALLMADGE
Ottawa County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 4 – Capital Assets

Capital asset activity of the Township's Governmental activities for the current year was as follows:

	Balance 4/1/04	Additions	Deletions	Balance 3/31/05
<u>Governmental Activities:</u>				
Land and improvements	464 643 35	22 400 00	-	487 043 35
Buildings	278 910 00	-	-	278 910 00
Vehicles and equipment	764 485 20	4 175 38	-	768 660 58
Infrastructure funded by bonds	7 140 000 00	-	-	7 140 000 00
Total	8 648 038 55	26 575 38	-	8 674 613 93
Accumulated Depreciation	(2 954 947 79)	(582 859 37)	-	(3 537 807 16)
Net Capital Assets	<u>5 693 090 76</u>	<u>(556 283 99)</u>	<u>-</u>	<u>5 136 806 77</u>

Note 5 – Pension Plan

The Charter Township has a defined contribution pension plan covering all full time employees of the Township. Under the plan, the Township contributes amounts based on the employees' annual earnings. The net pension expense for the fiscal year ended March 31, 2005, was \$18,451.06.

Note 6 – Deferred Compensation Plan

The Township does not have a deferred compensation plan.

Note 7 – Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for property loss, torts and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Note 8 – Building Permits

As of March 31, 2005, the Township had building permit revenues of \$51,710.00 and building permit expenses of \$37,389.21.

CHARTER TOWNSHIP OF TALLMADGE
Ottawa County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 9 – Changes in Long-Term Debt

A summary in changes in long-term debt follows:

	<u>Balance 4/1/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 3/31/05</u>
1995 Special Assessment Bonds	310 000 00	-	155 000 00	155 000 00
1998 Special Assessment Bonds	650 000 00	-	65 000 00	585 000 00
1998 General Obligation Bonds	270 000 00	-	50 000 00	220 000 00
1999 Special Assessment Bonds	605 000 00	-	55 000 00	550 000 00
1999 General Obligation Bonds	910 000 00	-	65 000 00	845 000 00
2001 Special Assessment Bonds	700 000 00	-	55 000 00	645 000 00
2001 General Obligation Bonds	<u>1 360 000 00</u>	<u>-</u>	<u>75 000 00</u>	<u>1 285 000 00</u>
Totals	<u>4 805 000 00</u>	<u>-</u>	<u>520 000 00</u>	<u>4 285 000 00</u>

Note 10 – 1995 Special Assessment Bonds

On November 1, 1995, the Township issued \$1,500,000.00 in bonds for the purpose of funding construction of an industrial park. The bonds will be repaid through special assessments. As of March 31, 2005, \$155,000.00 of the bonds remained outstanding. The following is a schedule of the outstanding principal and interest on the bonds.

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>
7-1-05	5.0%	<u>155 000 00</u>	<u>3 875 00</u>
Total		<u>155 000 00</u>	<u>3 875 00</u>

Note 11 – 1998 Special Assessment Bonds

On March 1, 1998, the Township issued \$985,000.00 in bonds for the purpose of funding water and sewer line extensions. The bonds will be repaid through special assessments. As of March 31, 2005, \$585,000.00 of the bonds remained outstanding. The following is a schedule of the outstanding principal and interest on the bonds.

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>
7-1-05	4.8%	65 000 00	13 731 25
1-1-06	-	-	12 171 25
7-1-06	4.45%	65 000 00	12 171 25
1-1-07	-	-	10 725 00
7-1-07	4.5%	65 000 00	10 725 00
1-1-08	-	-	9 262 50
7-1-08	4.6%	65 000 00	9 262 50

CHARTER TOWNSHIP OF TALLMADGE
Ottawa County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 11 – 1998 Special Assessment Bonds (continued)

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>
1-1-09	-	-	7 767 50
7-1-09	4.7%	65 000 00	7 767 50
1-1-10	-	-	6 240 00
7-1-10	4.75%	65 000 00	6 240 00
1-1-11	-	-	4 696 25
7-1-11	4.8%	65 000 00	4 696 25
1-1-12	-	-	3 136 25
7-1-12	4.8%	65 000 00	3 136 25
1-1-13	-	-	1 576 25
7-1-13	4.85%	65 000 00	1 576 25
Total		<u>585 000 00</u>	<u>124 881 25</u>

Note 12 – 1998 General Obligation Bonds

On March 1, 1998, the Township issued \$475,000.00 in bonds for the purpose of funding water and sewer line extensions. As of March 31, 2005, \$220,000.00 of the bonds remained outstanding. The following is a schedule of the outstanding principal and interest on the bonds.

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>
7-1-05	4.8%	50 000 00	5 041 25
1-1-06	-	-	3 841 25
7-1-06	4.45%	55 000 00	3 841 25
1-1-07	-	-	2 617 50
7-1-07	4.5%	55 000 00	2 617 50
1-1-08	-	-	1 380 00
7-1-08	4.6%	60 000 00	1 380 00
Total		<u>220 000 00</u>	<u>20 718 75</u>

Note 13 – 1999 Special Assessment Bonds

On October 1, 1999, the Township issued \$755,000.00 in bonds for the purpose of funding water, sewer and road improvements. The bonds will be repaid through special assessments. As of March 31, 2005, \$550,000.00 of the bonds remained outstanding. The following is a schedule of the outstanding principal and interest on the bonds.

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>
7-1-05	5.15%	55 000 00	14 633 75
1-1-06	-	-	13 217 50
7-1-06	5.15%	55 000 00	13 217 50
1-1-07	-	-	11 801 25
7-1-07	5.15%	55 000 00	11 801 25
1-1-08	-	-	10 385 00
7-1-08	5.15%	50 000 00	10 385 00

CHARTER TOWNSHIP OF TALLMADGE
Ottawa County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 13 – 1999 Special Assessment Bonds (continued)

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>
1-1-09	-	-	9 097 50
7-1-09	5.15%	50 000 00	9 097 50
1-1-10	-	-	7 810 00
7-1-10	5.25%	50 000 00	7 810 00
1-1-11	-	-	6 497 50
7-1-11	5.35%	50 000 00	6 497 50
1-1-12	-	-	5 160 00
7-1-12	5.45%	50 000 00	5 160 00
1-1-13	-	-	3 797 50
7-1-13	5.55%	50 000 00	3 797 50
1-1-14	-	-	2 410 00
7-1-14	5.65%	50 000 00	2 410 00
1-1-15	-	-	997 50
7-1-15	5.7%	35 000 00	997 50
Total		<u>550 000 00</u>	<u>156 981 25</u>

Note 14 – 1999 General Obligation Bonds

On October 1, 1999, the Township issued \$1,135,000.00 in bonds for the purpose of funding water, sewer and road improvements. As of March 31, 2005, \$845,000.00 of the bonds remained outstanding. The following is a schedule of the outstanding principal and interest on the bonds.

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>
7-1-05	5.15%	65 000 00	22 496 25
1-1-06	-	-	20 822 50
7-1-06	5.15%	70 000 00	20 822 50
1-1-07	-	-	19 020 00
7-1-07	5.15%	75 000 00	19 020 00
1-1-08	-	-	17 088 75
7-1-08	5.15%	80 000 00	17 088 75
1-1-09	-	-	15 028 75
7-1-09	5.15%	80 000 00	15 028 75
1-1-10	-	-	12 968 75
7-1-10	5.25%	85 000 00	12 968 75
1-1-11	-	-	10 737 50
7-1-11	5.35%	90 000 00	10 737 50
1-1-12	-	-	8 330 00
7-1-12	5.45%	95 000 00	8 330 00
1-1-13	-	-	5 741 25
7-1-13	5.55%	100 000 00	5 741 25
1-1-14	-	-	2 966 25
7-1-14	5.56%	105 000 00	2 966 25
Total		<u>845 000 00</u>	<u>247 903 75</u>

CHARTER TOWNSHIP OF TALLMADGE
Ottawa County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 15 – 2001 Special Assessment Bonds

On October 1, 2001, the Township issued \$775,000.00 in bonds for the purpose of funding water, sewer and road improvements. The bonds will be repaid through special assessments. As of March 31, 2005, \$645,000.00 of the bonds remained outstanding. The following is a schedule of the outstanding principal and interest on the bonds.

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>
7-1-05	6.00%	55 000 00	13 886 25
1-1-06	-	-	12 236 25
7-1-06	6.00%	55 000 00	12 236 25
1-1-07	-	-	10 586 25
7-1-07	3.35%	55 000 00	10 586 25
1-1-08	-	-	9 665 00
7-1-08	3.35%	55 000 00	9 665 00
1-1-09	-	-	8 688 75
7-1-09	3.70%	55 000 00	8 688 75
1-1-10	-	-	7 671 25
7-1-10	3.80%	50 000 00	7 671 25
1-1-11	-	-	6 721 25
7-1-11	3.90%	55 000 00	6 721 25
1-1-12	-	-	5 648 75
7-1-12	4.00%	55 000 00	5 648 75
1-1-13	-	-	4 548 75
7-1-13	4.15%	55 000 00	4 548 75
1-1-14	-	-	3 407 50
7-1-14	4.30%	55 000 00	3 407 50
1-1-15	-	-	2 225 00
7-1-15	4.40%	50 000 00	2 225 00
1-1-16	-	-	1 125 00
7-1-16	4.50%	50 000 00	1 125 00
Total		<u>645 000 00</u>	<u>158 933 75</u>

Note 16 – 2001 General Obligation Bonds

On October 1, 2001, the Township issued \$1,515,000.00 in bonds for the purpose of funding water, sewer and road improvements. As of March 31, 2005, \$1,285,000.00 of the bonds remained outstanding. The following is a schedule of the outstanding principal and interest on the bonds.

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>
7-1-05	6.00%	80 000 00	27 466 25
1-1-06	-	-	25 066 25
7-1-06	6.00%	85 000 00	25 066 25
1-1-07	-	-	22 516 25
7-1-07	3.35%	85 000 00	22 516 25
1-1-08	-	-	21 092 50
7-1-08	3.55%	90 000 00	21 092 50
1-1-09	-	-	19 495 00

CHARTER TOWNSHIP OF TALLMADGE
Ottawa County, Michigan

NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Note 16 – 2001 General Obligation Bonds (continued)

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>
7-1-09	3.70%	95 000 00	19 495 00
1-1-10	-	-	17 737 50
7-1-10	3.80%	105 000 00	17 737 50
1-1-11	-	-	15 742 50
7-1-11	3.90%	110 000 00	15 742 50
1-1-12	-	-	13 597 50
7-1-12	4.00%	115 000 00	13 597 50
1-1-13	-	-	11 297 50
7-1-13	4.15%	120 000 00	11 297 50
1-1-14	-	-	8 807 50
7-1-14	4.30%	125 000 00	8 807 50
1-1-15	-	-	6 120 00
7-1-15	4.40%	135 000 00	6 120 00
1-1-16	-	-	3 150 00
7-1-16	4.50%	<u>140 000 00</u>	<u>3 150 00</u>
Total		<u>1 285 000 00</u>	<u>356 711 25</u>

Note 17 – Transfers In and Transfers Out

For the fiscal year ended March 31, 2005, the Township made the following interfund transfers:

<u>Fund</u>	<u>Transfers In</u>	<u>Fund</u>	<u>Transfers Out</u>
1998 G.O. Debt Retirement	61 582 50	General	434 265 00
1999 G.O. Debt Retirement	111 966 25		
Fire Operating	108 000 00		
Fire Capital Improvement	7 000 00		
2001 G.O. Debt Retirement	127 716 25		
Park	<u>18 000 00</u>		
Total	<u>434 265 00</u>	Total	<u>434 265 00</u>

CHARTER TOWNSHIP OF TALLMADGE
Ottawa County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2005

	Original Budget	Final Budget	Actual	Variance with Final Budget Over (Under)
Revenues:				
Property taxes	204 600 00	204 600 00	204 563 94	(36 06)
Licenses and permits	98 500 00	98 500 00	86 648 40	(11 851 60)
State revenue sharing	460 000 00	460 000 00	469 115 21	9 115 21
Charges for services:				
Property tax administration	9 000 00	9 000 00	9 262 50	262 50
Other	15 650 00	15 650 00	9 969 68	(5 680 32)
Interest	12 350 00	12 350 00	6 474 28	(5 875 72)
Rent	3 500 00	3 500 00	4 075 00	575 00
Special assessments	28 400 00	28 400 00	29 867 89	1 467 89
Miscellaneous	9 500 00	9 500 00	13 214 02	3 714 02
Total revenues	841 500 00	841 500 00	833 190 92	(8 309 08)
Expenditures:				
Legislative:				
Township Board	81 775 00	81 775 00	76 069 89	(5 705 11)
General government:				
Supervisor	23 860 00	23 860 00	23 827 74	(32 26)
Elections	8 700 00	8 700 00	7 310 95	(1 389 05)
Assessor	22 195 00	22 195 00	22 089 99	(105 01)
Professional fees	101 800 00	101 800 00	99 674 16	(2 125 84)
Clerk	28 200 00	28 200 00	25 416 56	(2 783 44)
Board of Review	1 500 00	1 500 00	720 00	(780 00)
Treasurer	28 940 00	28 940 00	27 534 57	(1 405 43)
Building and grounds	46 150 00	46 150 00	42 758 31	(3 391 69)
Cemetery	5 800 00	5 800 00	4 129 04	(1 670 96)
Public safety:				
Police protection	26 000 00	26 000 00	25 615 71	(384 29)
Planning and zoning	34 100 00	34 100 00	27 860 92	(6 239 08)
Building inspection	41 700 00	41 700 00	37 389 21	(4 310 79)
Public works:				
Highways and streets	360 213 04	360 213 04	102 400 22	(257 812 82)
Street lights	12 000 00	12 000 00	11 142 86	(857 14)
Drains	5 700 00	5 700 00	5 687 30	(12 70)
Water	29 750 00	29 750 00	29 643 18	(106 82)
Hydrant rental	10 465 00	10 465 00	8 676 00	(1 789 00)
Culture and recreation:				
Parks and recreation	23 750 00	23 750 00	5 494 00	(18 256 00)
Other functions:				
Insurance	14 000 00	14 000 00	13 743 34	(256 66)
Payroll taxes	12 000 00	12 000 00	10 242 60	(1 757 40)
Pension	8 500 00	8 500 00	8 436 09	(63 91)
Contingency	47 555 00	47 555 00	-	(47 555 00)
Total expenditures	974 653 04	974 653 04	615 862 64	(358 790 40)
Excess (deficiency) of revenues over expenditures	(133 153 04)	(133 153 04)	217 328 28	350 481 32

CHARTER TOWNSHIP OF TALLMADGE
Ottawa County, Michigan

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
Year ended March 31, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Other financing sources (uses):				
Operating transfers in	<u>(438 160 00)</u>	<u>(438 160 00)</u>	<u>(434 265 00)</u>	<u>3 895 00</u>
Total other financing sources (uses)	<u>(438 160 00)</u>	<u>(438 160 00)</u>	<u>(434 265 00)</u>	<u>3 895 00</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(571 313 04)	(571 313 04)	(216 936 72)	354 376 32
Fund balance, April 1	<u>571 313 04</u>	<u>571 313 04</u>	<u>569 470 21</u>	<u>(1 842 83)</u>
Fund Balance, March 31	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>352 533 49</u></u>	<u><u>352 533 49</u></u>

CHARTER TOWNSHIP OF TALLMADGE
Ottawa County, Michigan

BUDGETARY COMPARISON SCHEDULE – FIRE CAPITAL IMPROVEMENT FUND
Year ended March 31, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Property taxes	50 000 00	50 000 00	51 527 18	1 527 18
Charges for services:				
Fire protection	57 000 00	57 000 00	55 594 00	(1 406 00)
Interest	2 000 00	2 000 00	2 424 23	424 23
Miscellaneous	-	-	2 681 92	2 681 92
Total revenues	<u>109 000 00</u>	<u>109 000 00</u>	<u>112 227 33</u>	<u>3 227 33</u>
Expenditures:				
Public safety:				
Fire protection	89 256 10	89 256 10	17 329 06	(71 927 04)
Capital outlay	<u>373 357 77</u>	<u>373 357 77</u>	<u>3 450 00</u>	<u>(369 907 77)</u>
Total expenditures	<u>462 613 87</u>	<u>462 613 87</u>	<u>20 779 06</u>	<u>(441 834 81)</u>
Excess (deficiency) of revenues over expenditures	<u>(353 613 87)</u>	<u>(353 613 87)</u>	<u>91 448 27</u>	<u>445 062 14</u>
Other financing sources (uses):				
Operating transfers in	<u>7 000 00</u>	<u>7 000 00</u>	<u>7 000 00</u>	<u>-</u>
Total other financing sources (uses)	<u>7 000 00</u>	<u>7 000 00</u>	<u>7 000 00</u>	<u>-</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>(346 613 87)</u>	<u>(346 613 87)</u>	<u>98 448 27</u>	<u>445 062 14</u>
Fund balance, April 1	<u>346 613 87</u>	<u>346 613 87</u>	<u>349 882 20</u>	<u>3 268 33</u>
Fund Balance, March 31	<u>-</u>	<u>-</u>	<u>448 330 47</u>	<u>448 330 47</u>

CHARTER TOWNSHIP OF TALLMADGE
Ottawa County, Michigan

COMBINING BALANCE SHEET - ALL SPECIAL REVENUE FUNDS
March 31, 2005

<u>Assets</u>	<u>Park</u>	<u>Fire</u>	<u>Fire Capital Improvement</u>	<u>Total</u>
Cash in bank and investments	7 871 69	33 192 23	207 170 93	248 234 85
Taxes receivable	-	-	3 357 54	3 357 54
Prepaid expense	-	-	237 802 00	237 802 00
Total Assets	<u>7 871 69</u>	<u>33 192 23</u>	<u>448 330 47</u>	<u>489 394 39</u>
<u>Liabilities and Fund Balances</u>				
Liabilities	-	-	-	-
Total liabilities	-	-	-	-
Fund balances:				
Unreserved:				
Undesignated	7 871 69	33 192 23	448 330 47	489 394 39
Total fund balances	<u>7 871 69</u>	<u>33 192 23</u>	<u>448 330 47</u>	<u>489 394 39</u>
Total Liabilities and Fund Balances	<u>7 871 69</u>	<u>33 192 23</u>	<u>448 330 47</u>	<u>489 394 39</u>

CHARTER TOWNSHIP OF TALLMADGE
Ottawa County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – ALL SPECIAL REVENUE FUNDS
Year ended March 31, 2005

	<u>Park</u>	<u>Fire</u>	<u>Fire Capital Improvement</u>	<u>Total</u>
Revenues:				
Property taxes	-	-	51 527 18	51 527 18
Charges for services:				
Fire protection	-	58 000 00	55 594 00	113 594 00
Interest	137 78	532 70	2 424 23	3 094 71
Miscellaneous	-	5 876 53	2 681 92	8 558 45
Total revenues	<u>137 78</u>	<u>64 409 23</u>	<u>112 227 33</u>	<u>176 774 34</u>
Expenditures:				
Fire protection:				
Salaries and wages	-	110 142 50	-	110 142 50
Payroll taxes	-	8 685 23	-	8 685 23
Pension	-	10 014 97	-	10 014 97
Operating supplies	-	5 828 01	935 33	6 763 34
Repairs and maintenance	-	1 809 19	-	1 809 19
Professional services	-	-	6 612 03	6 612 03
Communications	-	814 42	-	814 42
Insurance	-	19 984 75	-	19 984 75
Repairs and maintenance	-	4 199 23	5 529 20	9 728 43
Education	-	-	4 252 50	4 252 50
Miscellaneous	-	1 223 00	-	1 223 00
Culture and recreation:				
Park	7 403 55	-	-	7 403 55
Capital outlay	<u>23 125 38</u>	<u>-</u>	<u>3 450 00</u>	<u>26 575 38</u>
Total expenditures	<u>30 528 93</u>	<u>162 701 30</u>	<u>20 779 06</u>	<u>214 009 29</u>
Excess (deficiency) of revenues over expenditures	<u>(30 391 15)</u>	<u>(98 292 07)</u>	<u>91 448 27</u>	<u>(37 234 95)</u>
Other financing sources (uses):				
Operating transfers in	<u>18 000 00</u>	<u>108 000 00</u>	<u>7 000 00</u>	<u>133 000 00</u>
Total other financing sources (uses)	<u>18 000 00</u>	<u>108 000 00</u>	<u>7 000 00</u>	<u>133 000 00</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(12 391 15)	9 707 93	98 448 27	95 765 05
Fund balances, April 1	<u>20 262 84</u>	<u>23 484 30</u>	<u>349 882 20</u>	<u>393 629 34</u>
Fund Balances, March 31	<u><u>7 871 69</u></u>	<u><u>33 192 23</u></u>	<u><u>448 330 47</u></u>	<u><u>489 394 39</u></u>

CHARTER TOWNSHIP OF TALLMADGE
Ottawa County, Michigan

COMBINING BALANCE SHEET - ALL DEBT SERVICE FUNDS
March 31, 2005

	<u>1995 S.A. Debt Retirement</u>	<u>1998 G.O. Debt Retirement</u>	<u>1998 S.A. Debt Retirement</u>	<u>1999 G.O. Debt Retirement</u>
<u>Assets</u>				
Cash in bank and investments	231 335 70	84 26	297 861 86	418 60
Special assessments receivable	-	-	369 328 13	-
Total Assets	<u>231 335 70</u>	<u>84 26</u>	<u>667 189 99</u>	<u>418 60</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Deferred revenue	-	-	360 790 11	-
Total liabilities	-	-	<u>360 790 11</u>	-
Fund balances:				
Reserved for debt retirement	231 335 70	84 26	306 399 88	418 60
Total fund balances	<u>231 335 70</u>	<u>84 26</u>	<u>306 399 88</u>	<u>418 60</u>
Total Liabilities and Fund Balances	<u>231 335 70</u>	<u>84 26</u>	<u>667 189 99</u>	<u>418 60</u>

<u>1999 S.A Debt Retirement</u>	<u>2001 G.O. Debt Retirement</u>	<u>2001 S.A. Debt Retirement</u>	<u>Total</u>
290 354 13	726 44	178 627 54	999 408 53
<u>270 629 06</u>	<u>-</u>	<u>452 184 83</u>	<u>1 092 142 02</u>
<u>560 983 19</u>	<u>726 44</u>	<u>630 812 37</u>	<u>2 091 550 55</u>
268 007 78	-	445 335 79	1 074 133 68
<u>268 007 78</u>	<u>-</u>	<u>445 335 79</u>	<u>1 074 133 68</u>
292 975 41	726 44	185 476 58	1 017 416 87
<u>292 975 41</u>	<u>726 44</u>	<u>185 476 58</u>	<u>1 017 416 87</u>
<u>560 983 19</u>	<u>726 44</u>	<u>630 812 37</u>	<u>2 091 550 55</u>

CHARTER TOWNSHIP OF TALLMADGE
Ottawa County, Michigan

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – ALL DEBT SERVICE FUNDS
Year ended March 31, 2005

	1995 S.A. Debt Retirement	1998 G.O. Debt Retirement	1998 S.A. Debt Retirement	1999 G.O. Debt Retirement
Revenues:				
Interest	2 961 47	86	4 728 71	4 23
Special assessments	<u>64 918 53</u>	<u>-</u>	<u>70 666 37</u>	<u>-</u>
Total revenues	<u>67 880 00</u>	<u>86</u>	<u>75 395 08</u>	<u>4 23</u>
Expenditures:				
Debt service:				
Principal	155 000 00	50 000 00	65 000 00	65 000 00
Interest	11 547 50	11 282 50	29 022 50	46 666 25
Fees	<u>450 00</u>	<u>300 00</u>	<u>300 00</u>	<u>300 00</u>
Total expenditures	<u>166 997 50</u>	<u>61 582 50</u>	<u>94 322 50</u>	<u>111 966 25</u>
Excess (deficiency) of revenues over expenditures	<u>(99 117 50)</u>	<u>(61 581 64)</u>	<u>(18 927 42)</u>	<u>(111 962 02)</u>
Other financing sources (uses):				
Operating transfers in	-	61 582 50	-	111 966 25
Total other financing sources (uses)	<u>-</u>	<u>61 582 50</u>	<u>-</u>	<u>111 966 25</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(99 117 50)	86	(18 927 42)	4 23
Fund balances, April 1	<u>330 453 20</u>	<u>83 40</u>	<u>325 327 30</u>	<u>414 37</u>
Fund Balances, March 31	<u>231 335 70</u>	<u>84 26</u>	<u>306 399 88</u>	<u>418 60</u>

<u>1999 S.A Debt Retirement</u>	<u>2001 G.O. Debt Retirement</u>	<u>2001 S.A. Debt Retirement</u>	<u>Total</u>
4 557 91	7 64	2 288 98	14 549 80
<u>58 949 30</u>	<u>-</u>	<u>79 399 28</u>	<u>273 933 48</u>
<u>63 507 21</u>	<u>7 64</u>	<u>81 688 26</u>	<u>288 483 28</u>
55 000 00	75 000 00	55 000 00	520 000 00
30 688 75	57 182 50	29 422 50	215 812 50
<u>300 00</u>	<u>250 00</u>	<u>250 00</u>	<u>2 150 00</u>
<u>85 988 75</u>	<u>132 432 50</u>	<u>84 672 50</u>	<u>737 962 50</u>
<u>(22 481 54)</u>	<u>(132 424 86)</u>	<u>(2 984 24)</u>	<u>(449 479 22)</u>
<u>-</u>	<u>127 716 25</u>	<u>-</u>	<u>301 265 00</u>
<u>-</u>	<u>127 716 25</u>	<u>-</u>	<u>301 265 00</u>
(22 481 54)	(4 708 61)	(2 984 24)	(148 214 22)
<u>315 456 95</u>	<u>5 435 05</u>	<u>188 460 82</u>	<u>1 165 631 09</u>
<u>292 975 41</u>	<u>726 44</u>	<u>185 476 58</u>	<u>1 017 416 87</u>

CHARTER TOWNSHIP OF TALLMADGE
Ottawa County, Michigan

COMBINING BALANCE SHEET - ALL FIDUCIARY FUNDS
March 31, 2005

<u>Assets</u>	<u>Current Tax Collection</u>	<u>Agency</u>	<u>Total</u>
Cash in Bank and Investments	<u>4 676 44</u>	<u>-</u>	<u>4 676 44</u>
<u>Liabilities</u>			
Due to other funds	<u>4 676 44</u>	<u>-</u>	<u>4 676 44</u>
Total Liabilities	<u>4 676 44</u>	<u>-</u>	<u>4 676 44</u>

CHARTER TOWNSHIP OF TALLMADGE
Ottawa County, Michigan

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES -
ALL AGENCY FUNDS
Year ended March 31, 2005

	<u>Balance</u> <u>4/1/04</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>3/31/05</u>
<u>CURRENT TAX COLLECTION FUND</u>				
<u>Assets</u>				
Cash and Investments	<u>522 73</u>	<u>5 912 303 68</u>	<u>5 908 149 97</u>	<u>4 676 44</u>
<u>Liabilities</u>				
Due to other funds	-	480 633 27	475 956 83	4 676 44
Due to others	<u>522 73</u>	<u>5 431 670 41</u>	<u>5 432 193 14</u>	<u>-</u>
Total Liabilities	<u>522 73</u>	<u>5 912 303 68</u>	<u>5 908 149 97</u>	<u>4 676 44</u>
<u>AGENCY FUND</u>				
<u>Assets</u>				
Cash in Bank	<u>1 328 79</u>	<u>119 777 59</u>	<u>121 106 38</u>	<u>-</u>
<u>Liabilities</u>				
Due to other funds	-	1 269 00	1 269 00	-
Due to others	<u>1 328 79</u>	<u>118 508 59</u>	<u>119 837 38</u>	<u>-</u>
Total Liabilities	<u>1 328 79</u>	<u>119 777 59</u>	<u>121 106 38</u>	<u>-</u>
<u>TOTAL - ALL AGENCY FUNDS</u>				
<u>Assets</u>				
Cash and Investments	<u>1 851 52</u>	<u>6 032 081 27</u>	<u>6 029 256 35</u>	<u>4 676 44</u>
<u>Liabilities</u>				
Due to other funds	-	481 902 27	477 225 83	4 676 44
Due to others	<u>1 851 52</u>	<u>5 550 179 00</u>	<u>5 552 030 52</u>	<u>-</u>
Total Liabilities	<u>1 851 52</u>	<u>6 032 081 27</u>	<u>6 029 256 35</u>	<u>4 676 44</u>

CAMPBELL, KUSTERER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

June 3, 2005

To the Township Board
Charter Township of Tallmadge
Ottawa County, Michigan

We have audited the financial statements of the Charter Township of Tallmadge for the year ended March 31, 2005. As required by auditing standards generally accepted in the United States, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES

We conducted our audit of the financial statements of the Charter Township of Tallmadge in accordance with auditing standards generally accepted in the United States. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

To the Township Board
Charter Township of Tallmadge
Ottawa County, Michigan

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are described in Note 1 to the financial statements.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

We have no significant issues, regarding these matters, to report to you at this time. Audit adjustments were minimal, and are available to review.

GASB 34 IMPLEMENTATION

The Governmental Accounting Standards Board issued a new reporting model for governmental units which was required to be implemented for the fiscal year ended March 31, 2005. The implementation of this pronouncement for the Charter Township of Tallmadge began with the year ended March 31, 2005. The daily operations and recording transactions did not change significantly, however, the Township is required to maintain additional records for the year end adjustments to the final presentation format.

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

Our procedures disclosed the following conditions that we would like to bring to your attention:

SEGREGATION OF DUTIES

A separation of duties between persons who authorize transactions and persons who have control over the related assets does not always exist.

The least desirable accounting system is one in which an employee is responsible for executing the transaction and then recording the transaction from its origin to its ultimate posting in the General Ledger. This increases the likelihood that intentional or unintentional errors will go undetected. In most cases, adequate segregation of duties substantially increases control over errors without duplication of effort.

We understand that due to the size of needed staff, a proper segregation of duties may be impractical and the "cost to benefit" relationship may not justify the addition of accounting staff to accomplish the desired segregation.

These conditions were considered in determining the nature, timing and extent of the audit tests to be applied in our audit of the Township's financial statements and this communication of these matters does not affect our report on the Township's financial statements, dated March 31, 2005.

To the Township Board
Charter Township of Tallmadge
Ottawa County, Michigan

SUMMARY

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Sincerely,

Campbell, Kusterer & Co., P.C.

CAMPBELL, KUSTERER & CO., P.C.
Certified Public Accountants